

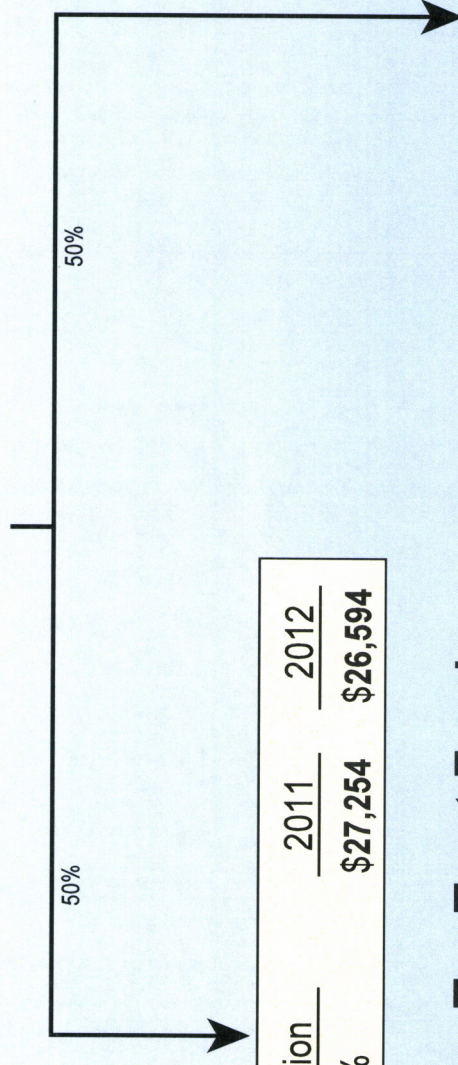
EXHIBIT 4
DATE Jan 18, 2013
HB 11

MONTANA COAL SEVERANCE TAX



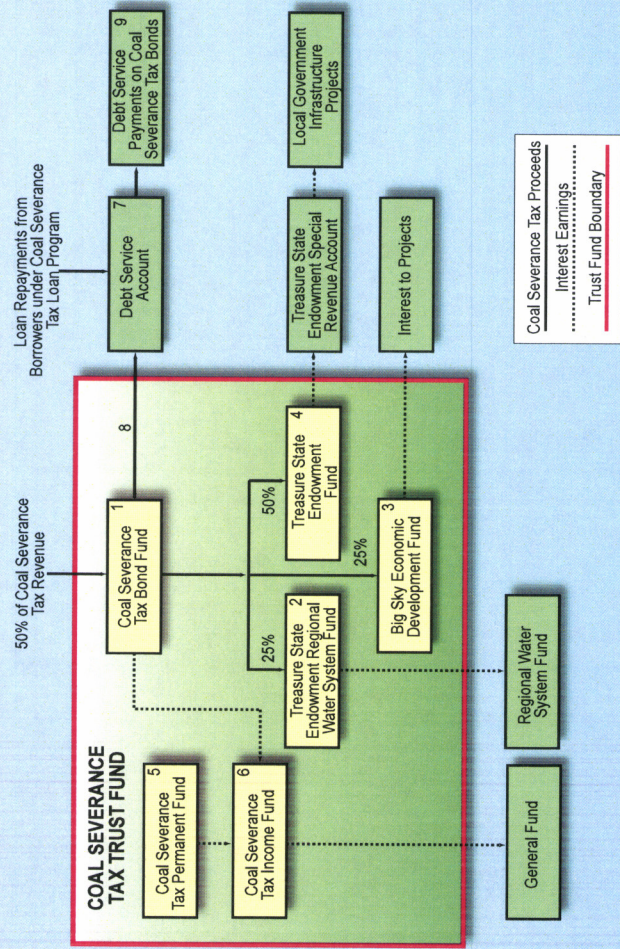
Department of Natural Resources & Conservation
January 2013

Coal Severance Tax Collections



Account	Allocation	2011	2012
Trust Fund	50%	\$27,254	\$26,594

Coal Severance Tax Trust Fund Flow of Funds Summary



Tax	Allocation	FY 2011 (\$1,000)	FY 2012 (\$1,000)
Coal Severance Tax Collections	100%	\$ 54,508	\$ 53,188
Coal Severance Tax Trust Fund	50.00%	27,254	26,594
General Fund	26.79%	14,602	14,249
Long-Range Building Program	12.00%	6,540	6,382
Program Funding	5.46%	2,976	2,904
Other			
Oil, Gas, and Coal Natural Resources	2.90%	1,580	1,542
Parks Acquisition and Management Trust	1.27%	692	675
Renewable Resource Loan Debt Service	0.95%	517	505
Cultural and Aesthetic Trust and Capitol Art	0.63%	347	339



Coal Severance Tax

Within 30 days of the end of each calendar quarter, coal severance taxes are paid to the state, and 50% of these are deposited into the **Coal Severance Tax Trust Fund** by the DOR (see Figure 25 and Table 48). Six accounts are established within the Trust: (1) the **Coal Severance Tax Bond Fund**, (2) the **Treasure State Endowment Regional Water System Fund**, (3) the **Big Sky Economic Development Fund**, (4) the **Treasure State Endowment Fund**, (5) the **Coal Severance Tax Permanent Fund**, and (6) the **Coal Severance Tax Income Fund** (see Figure 26).

1. Coal tax revenues that flow into the trust are initially deposited into the **Coal Severance Tax Bond Fund** (Bond Fund) and made available for payment of debt service on Coal Severance Tax Bonds (see Figure 25). The DNRC informs the DOR, during the first quarter of each state fiscal year, of the amount necessary to meet all principal and interest payments on bonds payable from the Bond Fund for the next year (two semiannual payments). The DOR retains that amount in the Bond Fund.

2. The **Treasure State Endowment Regional Water System Fund** was established to provide state funding for regional water systems. Initially, the Rocky Boy's North Central Regional Water Project and the Fort Peck/Dry Prairie Regional Water System were authorized. Two additional regional systems are being formed. During the first quarter of each state fiscal year, 25% of the amount in excess of what is retained in the Bond Fund is deposited into the Regional Water System Fund.

3. The 2005 legislature created the **Big Sky Economic Development Fund**. This fund provides interest earnings for grants and loans used for economic development projects working with local governments and certified regional development corporations. During the first quarter of each state fiscal year, 25% of the amount in excess of what is

retained in the Bond Fund is deposited into the **Big Sky Economic Development Fund**. The program is administered by the Department of Commerce,

4. The **Treasure State Endowment Fund** (Endowment Fund) was established when voters approved the ballot measure on June 2, 1992. During the first quarter of each state fiscal year, 50% of the amount in excess of what is retained in the Bond Fund is deposited into the Endowment Fund. The Department of Commerce notifies the DOR when interest earnings are needed to fund local infrastructure projects. The DOR then transfers the interest earnings from the Endowment Fund into the **Treasure State Endowment Special Revenue Account** (Revenue Account). The Department of Commerce then approves disbursement of funds to authorized local governments. Interest earnings not transferred to the Revenue Account for projects are retained in the Endowment Fund.

5. The **Coal Severance Tax Permanent Fund** (Permanent Fund) receives no new tax proceeds. The fund balance within the trust is invested by the Board of Investments. The earnings from the Permanent Fund are deposited into the General Fund. State law allows up to 25% of the Permanent Fund to be invested in the Montana economy.

6. Investment income on the deposits in the Bond Fund, and the Permanent Fund is periodically transferred into the **Coal Severance Tax Income Fund**. The entire balance in the Income Fund is transferred into the General Fund on a monthly basis.

7. Under the Coal Severance Tax Loan Program, the state sells coal severance tax bonds and loans the proceeds to local governments for various infrastructure projects. The borrowers make semiannual or annual loan payments, which upon receipt are credited to a **Debt Service Account**. The terms of the loans vary, but generally

involve an interest rate subsidy for the first five years of the loan followed by a direct pass-through of the interest rate on the state bonds for the remaining life of the loan. The loan program and debt service accounts are administered by DNRC.

8. Debt service payments on the bonds are due each June 1 and December 1. To the extent that funds on hand in the Debt Service Account are insufficient to pay principal and interest on the bonds when due, funds are transferred into the Debt Service Account from the Bond Fund. On January 1 of each year, funds are transferred into the Debt Service Account from the Bond Fund to the extent necessary to cause the balance in the Debt Service Account to equal one-twelfth of the next two

ensuing semiannual debt service payments. DNRC provides written notice to the DOR if funds are needed to pay debt service or to make the required transfer on January 1. On January 1 of each year, DNRC also sweeps the Debt Service Account of funds in excess of one-twelfth of the next two ensuing semiannual debt service payments. The excess is returned to the Bond Fund in repayment of borrowed money, if necessary, or deposited into the Renewable Resource Grant and Loan Program State Special Revenue Account.

9. On each June 1 and December 1, the state pays debt service on the bonds from amounts on hand in the Debt Service Account. Payments are made by DNRC.

Allocation of Coal Severance Tax

